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FM AMEMBASSY PORT AU PRINCE  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7683  
INFO RUEHZH/HAITI COLLECTIVE  
RUEHBR/AMEMBASSY BRASILIA 1796  
RUEHMN/AMEMBASSY MONTEVIDEO 0118  
RUEHSA/AMEMBASSY PRETORIA 1601  
RUEHSG/AMEMBASSY SANTIAGO 2361  
RUEHMT/AMCONSUL MONTREAL 0260  
RUEHQU/AMCONSUL QUEBEC 1024  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCOWCV/CCGDSEVEN MIAMI FL  
RUMIAAA/HQ USSOUTHCOM J2 MIAMI FL

UNCLAS SECTION 01 OF 03 PORT AU PRINCE 000232

SIPDIS

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STATE FOR WHA/CAR, DRL, S/CRS, INR/IAA  
SOUTHCOM ALSO FOR POLAD  
STATE PAS AID FOR LAC/CAR  
TREASURY FOR MAUREEN WAFER

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [HA](#)

SUBJECT: PRESSURE MOUNTING ON HAITI GOVERNMENT OVER COST OF LIVING

REF: A. PORT AU PRINCE 0163

[1](#)B. PORT AU PRINCE 0161

[1](#)C. PORT AU PRINCE 0155

[1](#)D. PORT AU PRINCE 0147

[1](#)E. PORT AU PRINCE 0144

[1](#)F. PORT AU PRINCE 0091

[1](#)G. PORT AU PRINCE 0038

PORT AU PR 00000232 001.2 OF 003

#### Summary

[1](#)1. Summary: After the security situation largely stabilized in the course of 2007, inflation, poverty and joblessness have moved to the political forefront in Haiti. President Preval and Prime Minister Alexis are facing escalating political pressure over the rising cost of living and persistent unemployment. The Government is promising to expand existing programs targeting municipalities and small business. Certain Senators castigate the government's policies as "neoliberal." Some are calling for direct government subsidies of basic commodities. Since Haiti's inflation is not amenable to short-term fixes, the Preval/Alexis government will remain hard-pressed for the foreseeable future on the economic front. It is supplementing its policies as part of a formal poverty-reduction and development strategy to be presented to international donors in April. End summary.

#### Inflation Hitting the Poor Hardest

[1](#)2. Inflation slowly crept upward in the second half of 2007, reaching a yearly rate of 10 percent in December. The overall inflation figures, however, fail to tell the whole story. Inflation was led by increases in basic staples such as rice, corn, plantains and cooking oil (Ref C). The early-January ban on imports of eggs and poultry products from Haiti's main agricultural trading partner, the Dominican Republic, after an outbreak of avian influenza in that country, has further spurred inflation this year. Although inflation by definition hits the poor the hardest, the structure of Haiti's current inflation, concentrated on basic

food items, is causing disproportionate suffering for Haiti's poor -- which accounts for over half the population.

¶3. Rising inflation is occurring against a backdrop of continuing slow economic growth and job creation. Growth of 3.2 percent in FY 06/07 followed by anticipated growth of just over four percent FY 07/08 is too weak to make a real dent in unemployment, which stubbornly persists at an official rate of around 60 percent (Ref A).

#### Cost of Living Eclipses Security As Top Political Issue

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¶4. Although domestic security remains a topic of political and social concern, the relative stabilization of the security situation since MINUSTAH's intervention in Cite Soleil in late 2006-early 2007 has reduced (but not eliminated) the relative political dominance of domestic security. Overshadowing it since late 2007 has been continuing unemployment and the rising cost of living. These are now the primary issues that grassroots groups and certain politicians are taking up against the government.

#### Rising But Manageable Public Discontent

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¶5. Since January, Post has noted increased public discontent and rumblings among grassroots organizations around the high cost of living, accompanied by small demonstrations (Ref B). There has also been a measurable increase in repatriations of Haitians caught at sea by the U.S. Coast Guard. There have been 474 repatriations thus far in 2008, vs. 350 in the entire first quarter of 2007. If the current rate continues, the first quarter of 2008 will have seen a 2.7-fold increase in repatriations over the same period in 2007. The figure for interceptions of boats carrying economic migrants is one indicator of economic hardship in Haiti.

#### President Preval Acknowledges Issue

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¶6. Preval acknowledged the cost of living issue in his independence day speech (Ref G) and in his swing through the Central Plateau in late January (Ref D). In that tour, Preval encountered opposition from certain groups he addressed, as well as press commentary critical that he failed to address economic hardship seriously (Ref D). In the week prior to the Feb. 1-5 Carnival celebrations, various grass roots organizations, including some close to the pro-Aristide party, Fanmi Lavalas, promised to mount street demonstrations protesting government inaction on employment and the cost of living.

#### But Leaves PM to Take Political Heat

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¶7. Under the initiative of Senator Yourie Latortue (Artibonite in Action Party, Artibonite Department) Haiti's Senate summoned the Prime Minister and five Ministers (Commerce, Economy and Finance, Agriculture, Planning, and Social Affairs/Labor) to testify on the cost of living issue over two days February 12-13. (Note: Latortue has both presidential ambitions and a personal rivalry with PM Alexis, particularly in Gonaives, where the two grew up. End note.) Alexis' presentation listed external and internal factors causing the rise in prices: increasing demand caused by population growth, rising world energy prices, climate change, depreciation of the U.S. dollar, deterioration of the industrial and agricultural sectors during Haiti's political instability over the last two decades, and flood and hurricane damage. All these factors, Alexis noted defensively, were outside the control of Haiti's current government. Minister of Economy and Finance Daniel Dorsainvil defended Haiti's policy of economic stabilization. Social Affairs Minister Gerard Germain said that removing taxes on basic staples, a proposal of Senator Rudolph Boulos (Fusion, Northeast Department) would eliminate the source of financing for GOH efforts to stimulate national production of

these staples.

¶8. The PM drove home the point that the government cares about the people's suffering and is trying to do something about it. Alexis said there are 1.1 billion gourdes available (USD 30.5 million) to finance a range of programs, including expanding the current "Communal Impact Program" (PIC - Ref F) to 30 additional municipalities from the current 110, increasing domestic meat and poultry production, overhauling infrastructure with job-creating construction projects, extending small and micro-credit, and assisting poor university students. An additional 700 million gourdes (USD 19.4 million) would have to be made available in the "amended budget" that would soon be submitted to parliament. Alexis related these initiatives to the GOH "Strategy Document for Growth and Poverty Reduction," a strategy paper finalized last November that the government intends to use as a guide to economic and development policy, and to appeal to foreign donors at an April 26 international donor conference in Port au Prince.

#### Senators Pile On; a Few Street Protests

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¶9. Senator Youri Latortue immediately pronounced that the "government in power has failed," and that the people's "patience has limits." He accused the government of pursuing "neo-liberal" policies responding to the demands of "international financial institutions" rather than to the needs of the Haitian people. Senator Gabriel Fortune (Union, South Department) predicted the PM's proposals would be ineffective, and said that these government resources would be better used to directly subsidize basic food and medicine. Senator Ultimo Compere (Lespwa, Center Department) called the PM's proposals "a drop in the ocean." On the other side, former Senate President Joseph Lambert (a strong Preval/Alexis supporter) termed the PM's address a recognition of the gravity of the situation and a refutation of charges the government is doing nothing. As many as a few hundred demonstrators outside the parliament chanted slogans, some opposing and others supporting the Prime Minister. Demonstrations in front of at least one government ministry called for stronger government measures against unemployment -- and for good measure, against the continuing lack of security, and to help victims of a bank-fraud scheme that defrauded thousands of Haitians of their savings in the waning days of the Aristide government.

#### Comment

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¶10. A negative confluence of factors influencing the economy is forcing the government to sit up and take notice. Ten percent inflation and sixty percent joblessness have no short-term cures. The cost of living is an issue tailor-made for demagoguery and browbeating the government, which Senator Latortue is spearheading for now. It is difficult to fully assess the extent to which his and his colleagues' criticism reflects broad popular sentiment, but they clearly believe the issue can be used to make hay against the government.

SANDERSON